

MINUTES
MURFREESBORO WATER AND SEWER BOARD
November 23, 2010

The Murfreesboro Water and Sewer Board met on Tuesday, November 23, 2010 in the conference room at the Stones River Water Treatment Plant at 5528 Sam Jared Road. Present at the meeting were Board members: Mr. John Sant Amour, Mr. Clay Beach, Mr. Toby Gilley, Dr. Al Carter, Mr. Blake Smith, Ms. Kathy Nobles and Ms. Sandra Trail. Also present were Darren Gore, Valerie Smith, Jim Crumley, Michele Pinkston, Susan Rucinski, Keith Carpenter, Alan Cranford, Robert Lewis, David Ives, Robert Haley, Mike Bernard, Mark Lee, Steve Harrison, Scott Alpert, Scott Woodard, Roger Haley, Denny Hastings, John Harney, David Waldron, John Floyd and other members of the public.

The Consent Agenda was presented for the following considerations:

A. Consider bids for water and wastewater treatment chemicals

Bids were publicly opened on March 16, 2009 for water and wastewater treatment chemicals to be used at the Stones River Water Treatment Plant and the Sinking Creek Wastewater Plant. Section 1.3.4 of the bid documents states "The successful bidder shall provide the chemical(s) as specified. Pricing shall be effective for the term of the contract, which is through December 31, 2009 with the option to renew for up to three additional six month terms." The following companies renewed their contract for an additional six month term through June 30, 2010. They have agreed to renew for the second six month term at the original prices specified in the bid and contract. The period of this renewal is from July 1, 2010 through December 31, 2010. They have once again agreed to renew for the third six month term at the original prices specified in the bid and contract. The period of this renewal is from January 1, 2011 through June 30, 2011. The bids are as follows:

American Development Corporation:

CHEMICAL	UNIT PRICE	EST. ANNUAL EXPENSE
Calcium Thiosulfate	\$5.25/gal	\$ 4,575.25
Fluorosilicic Acid	\$0.3690/lb	\$ 50,473.67
Phosphate	\$0.849/lb	\$ 35,935.62
Sodium Permanganate	\$0.699/lb	\$223,972.18

Ciba Corporation:

CHEMICAL	UNIT PRICE	EST. ANNUAL EXPENSE
Dry Polymer (Zetag 7587)	\$1.94/lb	\$145,000.00
Dry Polymer (Zetag 8160)	\$2.05/lb	

The Dycho Company, Inc:

CHEMICAL	UNIT PRICE	EST. ANNUAL EXPENSE
Sodium Hypochlorite	\$0.94/lb	\$ 81,957.84

General Chemical Performance Products:

<u>CHEMICAL</u>	<u>UNIT PRICE</u>	<u>EST. ANNUAL EXPENSE</u>
Polyaluminum Hydroxychloride	\$0.27/lb	\$ 36,153.54

Univar USA, Inc:

<u>CHEMICAL</u>	<u>UNIT PRICE</u>	<u>EST. ANNUAL EXPENSE</u>
Citric Acid	\$0.5319/lb	\$ 6,157.81

Bids were publicly opened on April 6, 2010 for water and wastewater treatment chemicals to be used at the Stones River Water Treatment Plant and Sinking Creek Wastewater Plant. Section 1.3.4 of the bid documents states "The successful bidder shall provide the chemical(s) as specified. Pricing shall be effective for the term of the contract, which is through December 31, 2010 with the option to renew for up to three additional six month terms." They have agreed to renew for another six month period at the original bid prices quoted. The period of this renewal is from January 1, 2011 through June 30, 2011. The bid is as follows:

Carmeuse Lime and Stone Inc.

<u>CHEMICAL</u>	<u>UNIT PRICE</u>	<u>EST. ANNUAL EXPENSE</u>
Calcium Oxide (Quicklime)	\$0.07250/lb	\$127,818.23

Industrial Chemicals, Inc.

<u>CHEMICAL</u>	<u>UNIT PRICE</u>	<u>EST. ANNUAL EXPENSE</u>
Sodium Carbonate (Soda Ash)	\$0.179/lb	\$ 1,000.00

Siemens Water Technologies, Inc.

<u>CHEMICAL</u>	<u>UNIT PRICE</u>	<u>EST. ANNUAL EXPENSE</u>
Bioxide	\$2.00/gal.	\$ 23,466.00

Bids were publicly opened on December 16, 2009 for water treatment chemicals to be used at the Stones River Water Treatment Plant. Section 1.3.4 of the bid documents states "The successful bidder shall provide the chemical(s) as specified. Pricing shall be effective for the term of the contract, which is through June 30, 2010 with the option to renew for up to three additional six month terms." The following company has agreed to renew for another six month period at the original bid prices quoted. The period of this renewal is from July 1, 2010 through December 31, 2010. They have agreed to renew for the second six month term at the original prices specified in the bid and contract. The period of this renewal is from January 1, 2011 through June 30, 2011. The bid is as follows:

Univar USA

<u>CHEMICAL</u>	<u>UNIT PRICE</u>	<u>EST. ANNUAL EXPENSE</u>
Sodium Chloride	\$0.1315/lb	\$ 57,473.93

Several vendors would not honor their bid price due to market conditions and increased production costs. Therefore their contracts with the City will expire December 31, 2010. As a result, carbon dioxide, and 25 % sodium hydroxide from the Water Treatment Plant and sodium hydroxide from the Wastewater Treatment Plant are scheduled for bid. Staff is investigating the benefits of bidding all materials again in the spring as annual bids based upon recent comments from vendors regarding market conditions.

Continental Carbonic Products, Inc.

<u>CHEMICAL</u>	<u>UNIT PRICE</u>	<u>EST. ANNUAL EXPENSE</u>
Carbon Dioxide	\$0.065/lb	\$ 1,000.00

Harcros Chemicals, Inc.

<u>CHEMICAL</u>	<u>UNIT PRICE</u>	<u>EST. ANNUAL EXPENSE</u>
Sodium Hydroxide, 25% totes	\$1.40/gallon	\$ 3,851.38

Univar USA, Inc.

<u>CHEMICAL</u>	<u>UNIT PRICE</u>	<u>EST. ANNUAL EXPENSE</u>
Sodium Hydroxide, Bulk	\$0.945/gallon	\$ 17,949.24

B. Consider bids for sanitary sewer television inspection and cleaning biannual agreement –

On November 16th, the Department received public bids for the above biannual contract. This contract is a general agreement to perform various line cleaning and inline inspections supporting the Department's sanitary sewer rehabilitation program. The contract will be for a two year period and services provided on an on call basis. The contract allows one additional two year term at the option of the Department. Sanitech Jetvac Services, LLC of Nashville, Tennessee (Sanitech) was the low responsible bidder of three (3) respondents. Sanitech has satisfactorily performed these same services in other contracts with the Department and is qualified to perform the defined scope of work as specified. The bids are listed below:

Company	Total Bid
Sanitech Jetvac Services, LLC	196,225.00
Apps Video Inspection , Inc.	295,075.00
AUI, LLC	483,750.00

The bid received from Sanitech totals \$196,225.00 for the scope of work specified.

Staff recommended the Water and Sewer Board recommend to City Council awarding the referenced contract to Sanitech Jetvac Services, LLC in the amount of **\$196,225.00**, funding coming from the Department's budget subject to execution of a contract approved as to form by the City Attorney. Approximately \$442,500 was budgeted for Flow Monitoring, Outside Testing Services and Televising & Cleaning Services under Account 938.000 for year 2010-11.

C. Consider bids for a gas chromatograph –

Bids were publicly opened on Monday, November 15, 2010 for the purchase of one (1) gas chromatograph (GC) with dual electron capture detectors (ECDs) and auto sampler. One vendor submitted a bid and one (1) other vendor responded with a no bid. The vendor with a no bid response stated that "Quantum Analytics is not bidding at this time due to lack of details regarding quantities and which specific inlets and detectors you require for GC." This information was stated clearly in the bid specifications and at no time did this vendor provide staff with any questions regarding the bid specifications. The bids are delineated on the bid tabulation sheet below.

<u>Vendor</u>	<u>Price</u>
Agilent Technologies	\$59,840.29
Quantum Analytics	NO BID

While only one vendor provided a bid response to this invitation, Agilent Technologies is not the only vendor to sell this product. Staff has completed evaluation of the bids and the equipment meets or exceeds the standards as set forth in the invitation to bid. The bid price is reasonable and within industry standards. Staff recommended that the Water and Sewer Board recommend to the City Council approving the bid from Agilent Technologies for one (1) gas chromatograph (GC) with dual electron capture detectors (ECDs) and auto sampler in the amount of \$59,840.29. Funding for this equipment will come from the reserves.

Toby Gilley made a motion to accept the Consent Agenda as presented. Clay Beach seconded. The motion was unanimously passed.

The Board considered the Minutes from the October 26, 2010 meeting. The Minutes were unanimously approved as submitted.

The Board next considered a recommendation regarding the service initiation fee schedule.

Results of a survey of surrounding utilities comparing new service, return check and reconnection fees suggested the Department fee schedule was under market in comparison to neighboring water, sewer and electric utilities including Consolidated Utility District, Murfreesboro Electric Department, Franklin Water and Sewer Department, Tullahoma Water Department and Nashville Metro Water Service. Based on these findings Resolution 09-R-10 was passed by City Council with a schedule of new fees. At this time staff is recommending a change of the non-refundable service initiation fee. The present schedule is

tiered with \$50.00 for same day service initiation and \$40.00 for any day thereafter. The thought of a tiered schedule was to promote next day service. It has not accomplished the intended result but has caused confusion for the customer. Therefore, staff recommended the Board recommend to the City Council one fee of \$40. Service can be initiated same day for a customer making a request before 2 PM. Requests received after 2 PM will be accommodated adjusting work schedules.

Below is a schedule of present customer service fees with the service initiation fee change in bold text.

Fee Schedule

Return check fee	\$30.00
Service initiation fee	\$40.00 Recommended
Reconnection fee	\$40.00 (regular hours)
For nonpayment	\$75.00 (after hours)

The change is recommended to be effective as soon as a resolution is approved by the City Council.

Sandra Trail made a motion to accept the proposal. Kathy Nobles seconded. The Board unanimously accepted with no discussion.

The Board considered a proposed amendment to Adams and Parks Investments, LLC contract for Marymont Springs Subdivision participation in funding of Overall Creek Sewer Interceptor.

Beginning in the winter of 2005/2006, discussions between several proposed developers began involving extending the Overall Creek sanitary sewer interceptor, identified as Overall Creek Contract VI.

Mr. Joe Swanson, Jr., developer of Kingdom Ridge Subdivision, had already begun construction on its first phase, and Mr. Bob Parks and Mr. Mel Adams, developers of Marymont Springs Subdivision, were finalizing the master planning of this proposed development. Mr. Mike Lilly with Ole South Properties was also involved in some initial dialog associated with extending the Overall Creek interceptor for serving some speculative property to the west of Marymont Springs. This venture never coalesced into an approved development. The Board agreed to extend the Overall Creek interceptor sewer and received bids in August of 2006. The low bid was awarded to Garney Companies, Inc. for \$2,320,360.00. The final balancing change order was executed on July 17, 2007 in an amount of \$2,136,192.00.

In September of 2005, the Board approved Mr. Joe Swanson, Jr., in regards to his Kingdom Ridge development, participating in the funding of the Overall Creek Sanitary Sewer Interceptor extension in an amount of \$170,660. This amount was arrived at by estimating the cost of constructing 1,665 linear feet of 8" sewer that would have been installed by Mr. Swanson but was replaced by the Department's 18" interceptor. This form of participation is a typical model used by the Department in

establishing a developer's pro-rata share for funding a project constructed by the Department. The pro-rata share is established through estimating how much deferred infrastructure would be offset to the Developer by the Department's construction efforts, and coming to an equitable outlay that the Developer could reimburse the Department. Adams and Parks (A&P) Investments, LLC chose another model to participate in the Overall Creek Interceptor extension. A&P chose to secure one thousand two hundred (1,200) Overall Creek Special Sanitary Sewer Assessment (OCSSSA) district fees over a six (6) year period, or two hundred (200) OCSSSA district fees per year for six (6) years. The OCSSSA district fee is \$1,000 per single family unit or equivalent, so the contract executed on October 12, 2006 by A&P amounted to \$1,200,000.

In short, as OCSSSA district fees were collected in A&P's Marymont Springs development, these fees were credited to the obligation of \$200,000 per year secured by A&P Investments, LLC. In the event of a shortfall, A&P would have to make up the difference. So, the Department was secured \$1,200,000 over the six (6) year period, but A&P would recoup any out of pocket outlays they were required to make as OCSSSA district fees were made beyond the six (6) year time frame. In other words, A&P would be reimbursed their expenditure after the six (6) year period, as OCSSSA fees were collected by the Department, until such time they were made whole. The expectation was that there would not be any significant outlays required of A&P, but that the development would support the obligation through the accrual of at least 200 hundred (200) OCSSSA district fees per year over six (6) years. The current economic market has not met the expectation of A&P Investments, LLC. The following table indicates the OCSSSA district fees collected, payments received by the Department from A&P, and the arrears amount currently outstanding.

Fiscal Year	OCSSSA fees collected by MWSD	2% MWSD Admin Fee	A&P Pay Out to MWSD	Amount Currently Due MWSD
2007-08	\$16,000	\$320	\$184,320	\$0
2008-09	\$7,000	\$140	\$0	\$193,140
2009-10	\$4,000	\$80	\$0	\$196,080
Total	\$27,000	\$540	\$184,320	\$389,220

A&P Investments, LLC sent the Department a letter dated November 15, 2010 requesting that they make one final payment of \$400,000 and be released from the remaining \$600,000 obligation for fiscal years 2010-11, 2011-12, and 2012-13, and waive their rights to any recapture or recoupment of OCSSSA district fees in the future.

Staff has gone back and reviewed the Marymont Subdivision participation scenario using the Kingdom Ridge model whereby one initial payment would be made to the Department as a pro-rata share for the offset costs to the Developer provided through Department installed infrastructure. Reviewing the estimated costs that would have been borne by A&P Investments, LLC, should they have installed an 8" line for the exclusive use of Marymont Springs S/D from the southern boundary of Kingdom Ridge,

calculates out as \$563,750. This cost is arrived at by taking the total distance from the southern boundary of Kingdom Ridge S/D to the western property line of Marymont Springs Subdivision, or 5,500 linear feet, multiplied by \$102.50 per linear foot. The \$102.50 per linear foot is the same estimate used for the Kingdom Ridge Subdivision model for establishing the one-time payout amount. Therefore, staff recommended accepting a one time final payment of \$400,000 from A&P Investments, LLC to satisfy their current contract obligations and make the Department whole insofar as amending their current agreement to a model agreement that has been used for a neighboring developer. The total amount paid to the Department, if the Board accepts A&P's offer, would be \$584,320. The total OCSSSA district fees collected to date by the Department within the Marymont Subdivision are \$27,000. All future OCSSSA district fees collected would be deposited in the Department's working capital reserve account as A&P would waive their right to recoup their \$584,320 outlay.

Sandra Trail made a motion to accept. Toby Gilley seconded. The Board voted in favor unanimously.

There was an update on system development charges (SDC) regarding General Mills Expansion, Phase I.

Staff met with Mr. Pat Murphy, the Plant Manager for General Mills, on Wednesday November 10th along with Mr. Jim Crumley, the Asst. City Manager for Murfreesboro, to continue discussions surrounding the proposed connection fees associated with the planned General Mills expansion. The proposed expansion currently consists of adding two (2) new product lines at the Yoplait plant, with the ability to add four (4) new product lines in the future. The end result of this meeting and the ultimate recommendation from staff is to offer a credit of the magnitude of \$1.0M, plus or minus, depending on actual costs submitted by General Mills to be deducted from the current \$2,904,053 water and sewer SDC assessment. The final amount of credit will be mutually agreed upon and based on actual investment costs. In recognition of the substantial investment made by General Mills in treating their food product waste to the level that allowed them to obtain a permit from the Tennessee Department of Environment and Conservation (TDEC) for land application (i.e., irrigation), and to a level which exceeds the Department's criteria for pre-treatment prior to discharge to our sanitary sewer system, staff proposes that the Department credit General Mills those dollars invested in said plant and distribution infrastructure to the SDC assessment. General Mills invested approximately \$1.5M in their pre-treatment plant and approximately \$500k in running a 12" reuse water line over to Indian Hills Golf Course. Of the \$1.5M in plant improvements, approximately \$500k is estimated to have been above and beyond what would have been required to meet the City's pre-treatment criteria. Therefore, staff recommended offering the aforementioned credit of somewhere in the neighborhood of \$1.0M depending on actual costs submitted by General Mills. The final amount of credit will be mutually agreed upon and based on actual investment costs but is expected to be approximately \$1.9M.

At the request of the Board, staff did send out inquiries to twelve (12) other utility providers in Tennessee. The request attempted to set the scenario currently observed by Murfreesboro where:

- ◆ The system's largest water and sewer user in the system expects to expand; increasing their water and sewer consumption by approximately 60-80%.
- ◆ The industry currently consumes approximately 7% of the total water sold in the system and will increase that to approximately 9% with the proposed expansion.

MWSD requested the methodology by which the other systems would assess any system development charges (a.k.a., connection fees, impact fees, tap fees), if any, for a similar customer proposing increased water and sewer consumption to the described scale. There were not many responses; the most noteworthy coming from Smyrna, Johnson City and Brentwood. The major feedback received by staff was, again, that infrastructure funding must be borne either on rates or connection fees. It does appear that Murfreesboro has the most sophisticated methodology in determining system development charges from all the responding water and sewer providers. The fact that this methodology is based on actual consumption, or gallons per day, converted to single family unit equivalents, appears to be the most equitable versus any other method described (e.g., square footage or meter size) by the utility providers solicited.

No action was taken as this information was presented for the Board's knowledge.

The Board next considered a recommendation regarding the Wilkinson Pike Special sanitary sewer overlay assessment.

At the August 2008 Water and Sewer Board meeting, staff reviewed a request by Mr. Tommy Smith to install a secondary pump station at a proposed 20.9 acre commercial subdivision north of Medical Center Pkwy and south of Wilkinson Pike in lieu of constructing gravity sanitary sewer from a regional pumping station located approximately 2,800 linear feet to the east of this proposed development. At that time, the Board denied the pumping station and requested that staff estimate what this improvement would cost if funded by the Department and determine the assessment necessary to recoup the costs through establishment of an overlay district inside of the Medical Center Pkwy special sanitary sewer assessment district. The idea of creating of an overlay district was initiated due to the immediate need for sewerage anticipated by the planned commercial subdivision.

At the October 2008 Board meeting, staff provided the Board with the recommended boundary, estimated construction costs and recommended overlay assessment associated with the aforementioned sewer extension to the proposed commercial subdivision and Chamber of Commerce site. The Board did not take action at that time and requested that the overlay assessment district be revisited after actual construction costs were available.

The immediate need for sewer to the planned commercial subdivision diminished as a result of a decline in development; however, in November of 2009, the need for sewer to the new Chamber of

Commerce prompted the bidding and construction of the Wilkinson Pike sanitary sewer collector. This gravity sewer main, as defined above, being approximately 2,800 linear feet east of the proposed Chamber of Commerce site, was substantially completed in July 2010 and all punch list items have been completed as of November 5th, 2010. The final construction amount was \$205,911.65. Using this final amount to establish an overlay assessment works out as adding approximately \$3,600 per acre in the 69.4 acre basin served by the Wilkinson Pike sewer collector on top of the \$10,900 per acre in the 465.8 acre Medical Center Pkwy Special Sanitary Sewer Assessment district. Based on the current economic environment, the low cost of the sewer, and the fact that this extension would have occurred with the Wilkinson Pike roadway improvements and funded by the Department, staff recommends foregoing the establishment of any overlay district to recoup the construction costs of this gravity sewer. Dr. Carter made a motion to approve. Kathy Nobles seconded the motion. The motion was unanimously carried.

The Board held a discussion of Department financial issues and the role of system development charges.

At the October 26, 2010 meeting of the Water and Sewer Board, the Board approved amending the Policy for payment of water and sewer connection fees to allow for the payment of fees at the time of the certificate of occupancy for multi-family units, condominiums, and townhomes, as well as commercial establishments in Consolidated Utility District's service area. The various homebuilders had requested that the existing water and sewer connection fees charged to the builder, be reduced for a minimum of 18 months, to July 1, 2006 effective rates (\$950 water and \$1,800 sewer).

Assessment Districts	Actual Construction Costs	Area Opened to Sanitary Sewer Service
Overall Creek Sanitary Sewer	\$18,218,700	14,931 Acres
Salem Highway Sanitary Sewer	\$2,920,664	3,563 Acres
Buchanan / Joe B. Jackson Sewer	\$4,701,959	4,399 Acres
Medical Center Pkwy Sewer	\$3,099,400	465 Acres

The total estimated single family unit equivalents (sfu's) to have been hooked up to sewer through the Overall Creek, Salem Highway, and Buchanan / Joe B. Jackson sewer districts, since the first Overall Creek Interceptor constructed in 1999, is around 9,000 sfu's. The Medical Center Pkwy sewer has opened up a new corridor into the City, allowing the Avenue, the Conference Center and the Embassy Suites Hotel to become a premiere retail center for the City.

Several other significant projects have been funded using reserve funds that have added plant unit capacity for allowance of growth in the City, such as, the purchase of the Jordan and Coleman Farms for wastewater disposal (\$9,698,973 for 800 acres) and the Surplus Water Agreement with the U.S. Army Corps of Engineers for long-term water supply (\$3,051,429). Additionally, major utility capital expense

has been funded from reserves for City and State road projects, such as, Northfield Blvd, DeJarnette Lane, Pitts Lane, and Maney Ave.

Water and sewer connection fees paid by every customer are authorized by City Code Sections 33-2 and 33-50. These fees are used to fund Department capital projects and capital utility expenses for City and State road projects. Below is a schedule of present fees and the fees effective July 1, 2006:

	Effective July 1, 2006	Cost of Service Study 2007	Effective July 1, 2009	Difference in 2006 & 2009
	Dollars per Single Family Unit	Dollars per Equivalent Residential Unit	Dollars per Single Family Unit	Dollars per Single Family Unit
Water Connection Fees	\$950	\$2,392	\$1,200	\$250
Sewer Connection Fees	\$1,800	\$3,254	\$2,550	\$750
Total	\$2,750	\$5,646	\$3,750	\$1,000

In 2004 Smith Seckman Reid, Inc was commissioned to prepare a Department Financial Condition Assessment and in 2007 an update to the original report. The assessment provided information on the Department's historical financial performance and projections for future performance. As part of this assessment water and sewer connections fees were compared to neighboring utilities. The water connection fee was recommended to increase to \$1,000 and the sewer connection fee was recommended to be raised \$250 per year through July 1, 2008.

For the period ending June 30, 2007 Jackson Thornton prepared a Water and Sewer Cost of Service Study using American Water Works Association and Water Environment Federation methodologies. The report included the calculation of water "access fees" based on the existing water system valuation capacity method. According to the report the average cost per equivalent residential unit (ERU) was \$2,392. A water access fee of \$1,700 was recommended for a residential customer. The current fee is \$1,200. The report also included the calculation of sewer "access fees" based on the existing sewer system valuation capacity method. According to the report the average cost per ERU was \$3,254. A sewer connection fee of \$3,300 was recommended for a residential customer. The current fee is \$2,550.

Based on findings in the Financial Condition Assessment report prepared by Smith, Seckman, Reid, Inc. in May 2004 and the more recent Cost of Service Studies by Jackson Thornton in 2007, water and sewer connection fees were scheduled to increase annually until the water connection fee reached \$1,700 and the sewer connection fee, \$3,300. Due to the decline in the economy, increases were not recommended in the FY 2010-11 budget. They remain at the level approved effective July 1, 2009.

The existing connection fees are based on recovering capacity costs as system capacity is depleted. Connection fees are distinguishable from service rates that support operation and maintenance costs as well as debt service in support of the annual budget. Based on two professional studies, the

current connection fees are well below what they should be for the long term financial health of the system. Therefore, staff did not recommend the existing connection fees be rolled back as requested, but requested that they remain at July 1, 2009 effective levels and be reviewed annually with the Department budget.

Mr. Roger Haley requested to speak and was permitted by Chairman John Sant Amour to do so relative to the proposal submitted by Mr. Rick Cantrell dated October 20, 2010. Mr. Haley presented a connection fee history of fees per single family unit between July 1, 2005 and July 1, 2009. This was the same material on fees for service prepared by the Planning Department at the request of the City Manager when the homebuilding industry requested a stimulus plan from Rutherford County, the City of Murfreesboro, the City of LaVergne, the Town of Smyrna, Consolidated Utility District, the Murfreesboro Water and Sewer Department, Murfreesboro Electric Department, and Middle Tennessee Electric Membership Cooperative through the Rutherford County Chamber of Commerce earlier this year. Mr. Haley also requested the Board consider rolling back the connection fees charged to the builder to levels effective July 1, 2006 and that this reduced fee schedule remain in effect for a minimum of 18 months. It was his feeling that there would be a chance to revive the building industry during this time. He requested that the "Policy for Payment of Water and Sewer Connection Fees, Board Approved March 27, 2007" be amended to allow for the payment of fees to be paid at the time a Certificate of Occupancy request is made. This amendment would apply to attached single family units and condos.

A report from the Codes Department shows single family residential permits have declined over the last five years. The number of dwelling units permitted within the City of Murfreesboro in 2009 was below the 1993 level. A chart detailing water and sewer construction connection fees in new development comparing July 1, 2006 to July 1, 2009 was presented.

Mr. John Sant Amour asked whether other components of the building process, specifically, appraisers, title companies, or other service providers in the homebuilding industry, were forfeiting current rates to stimulate the industry, or whether MWSD was the only one to whom reduced fees were proposed as a solution. Mr. Haley stated that other utilities have been asked to lower their fees. Mr. Haley remarked that someone has to get it started; the homebuilding community was asking MWSD to concede to the first rollback of connection fees.

Kathy Nobles expressed that substantial projects have been facilitated by growth, but she feels the growth is what funded these projects to start with. She stated her opinion that MWSD would not be adversely affected for rolling back connection fees to 2006 rates for 18 months.

Sandra Trail stated that it could affect the Department's revenues by \$1.1 million, if, over the next 24 months the same rate of development occurs that occurred over the past 18 months and projected 6 months, based on the data provided by staff to the Board. Staff had prepared tabulated data in a hand-out to the Board prior to the meeting. The following tables summarize the data provided to the Board:

	MWSD	CUD	Total
FY 2009-2010			
Single Family Detached Residential	44	259	303
All Other Classes (sfu equivalents)			517
Lost Sewer Reserve Revenue if applied FY06-07 Connection Fee Rates			\$615,161
Lost Water Reserve Revenue if applied FY06-07 Connection Fee Rates			\$65,553
TOTAL POTENTIAL LOST REVENUE FOR FY09-10			\$680,714
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	MWSD	CUD	Total
July 1, 2010 to November 18, 2010			
Single Family Detached Residential	18	87	105
All Other Classes (sfu equivalents)			105
Lost Sewer Reserve Revenue if applied FY06-07 Connection Fee Rates			\$157,528
Lost Water Reserve Revenue if applied FY06-07 Connection Fee Rates			\$23,734
EXTRAPOLATED TOTAL POTENTIAL LOST REVENUE FOR FY10-11			\$435,030

Kathy Nobles said if MWSD was the first to say they are willing to cooperate, then other utilities may follow, it could make a tremendous difference to stimulating the homebuilding industry. Ms. Nobles feels the benefits would outweigh the adverse affect and that the Department should rollback the water and sewer connection fees to 2006 rates.

Toby Gilley stated if MWSD leaves the rates as they are, and no permits are pulled, no connection fees will be collected and the question of whether to borrow the money will still have to be asked in the future. Mr. Gilley stated his opinion that the current request by the homebuilding community would allow the Department to act on an opportunity to stimulate growth and possibly collect something rather than nothing.

Sandra Trail stated the current dilemma facing the homebuilding industry is not from development fees and charges; the problem is a derivative of the lending agencies and banks. Ms. Trail stated that she doesn't believe that a \$1000 per lot reduction in connection fees will have a stimulating affect on the homebuilding industry. She understands that \$1000 less per home may have an impact on whether developers would decide to leave the Murfreesboro to surrounding communities, but she also feels Murfreesboro is the premier community in the middle Tennessee area.. She stated her belief that \$1000 per lot is not going to sway either the builder and/or the buying general public as to where to build a home. She stated her opinion that the \$1000 reduction on each lot doesn't seem to show any substantive thought process going into stimulating the economy.

Toby Gilley felt that if the developers are successful in going to other areas where they can get the same type of relief that they are seeking here, the cumulative affect could very well have enough impact to make a difference in what they can sell a home for and stimulate the building economy itself.

The Board discussed whether the reduction would actually spur growth. Sandra Trail felt that Rutherford County is better positioned for growth than some other counties. Sandra Trail also discussed with other Board members that there are already significant capital projects being considered, and some already approved, and that the Department's reserve funds are currently committed towards these projects. MWSD can either fund these projects out of reserves or borrow the money. MWSD's fiduciary role is to represent all of the rate payers in the City. There is no assurance that the decrease will work to stimulate the homebuilding industry. If it doesn't, based on the historical record of revenue collected in the past eighteen (18) months, MWSD would have been impacted by \$1.1 million less than what was received. She stated that this would hurt MWSD and the rate payers significantly, because in order to fund what would have been expensed to the capital reserve account, those amounts would then have to be borne by rates to MWSD customers. Therefore, MWSD would have to have some rate increases, borrow the money, or get it from somewhere in order to fund these projects.

Ms. Trail noted that it was not MWSD's role to stimulate the economy or growth; it is to put infrastructure in place that services the City of Murfreesboro and all of the MWSD customers. Other entities such as the Chamber of Commerce, the Industrial Development Board, Tennessee Economic Development Board are in place to stimulate and incentivize development; not public utilities. Ms. Trail noted that the Water and Sewer Board has spent a lot of money, a lot of research, and a lot of Board members' time going into studying what MWSD's rates should be. Several members on the Board have attended conferences and specifically, a seminar on rates and cost of service; learning how to calculate these fees in order to review rates and make informed recommendations. Based on the 2007 Cost of Service (COS) study reports, MWSD is already offering significant cost savings to what it would be justified to charge. Mrs. Trail stated there was an adopted plan to make proposed increases over the next several years to get to a level that the COS recommends. Now the Board is talking about reversing these recommendations by discussing a rollback back to 2006 connection fee rates. Smith Seckman Reid (SSR) has spent a lot of their time looking at what our Reserves are and giving us reports on how we need to be putting money into Reserves in order to fund these capital projects. Every time one of these capital improvement projects comes up, the Board ends up having this discussion of where the money is going to come from. If it all comes from borrowing, all of the rate payers have to suffer or ante up and pay for that cost; whereas, if we can fund it from Reserves, MWSD doesn't have to implement a raise in rates. Mrs. Trail stated that she really feels strongly against this idea. She stated she understands where the development community is coming from and the impact this economy is having on them, but that it is not the Water and Sewer Board's role to play in that adjustment.

Dr. Al Carter stated there have been many houses still on the market for as long as six to eighteen months. Mr. Jim Crumley stated there is approximately eleven month's inventory of homes still on the market. Dr. Carter stated he feels the lending community just doesn't seem to be qualifying people for loans.

Toby Gilley expressed that his concern was if MWSD drops down even further from the 2010 permits. Mr. Gilley stated that he didn't see the difference of revenue generation to the Department of only 200 permits pulled at current rates versus rolling them back in an attempt to facilitate there being 400 permits pulled next year at 2006 connection fee rates. Mr. Gilley stated that the Department still brings in the same \$200,000, and at the same time boosts the economy in the community by implementing sales tax revenue, job creation, etc. Mr. Gilley stated that the Department can set the fees as high as it wants, but if permits aren't being pulled, there is no revenue coming in from it. Mr. Gilley stated his opinion that MWSD is just like any other business; sometimes prices have to be lowered to let the volume increase to be able to make the revenue come in to make the same dollar. His thought on this was that it is not an unreasonable request, because, again, if the number of permits go up, and the same amount of money still comes from it, the advantage of what we have done for the community overall should be the end-goal.

Darren Gore stated that if MWSD applied the 2006-07 sewer connection fee rates to the fiscal year 2009-10, there would have been a loss of sanitary sewer connection fee revenue of approximately \$615,000. This amount includes all other classes other than single family detached residential fees. The total revenue lost, including \$65,553 of water connection fees, for a total of \$680,714 for FY09-10. The total anticipated loss applying 2006-07 water and sewer connection fees to FY2009-10 is expected to be \$378,820 and \$56,203, for sanitary sewer and water, respectively.

Mr. Gore stated that there are specific projects where MWSD can look at being more flexible and creative. Staff wants the Department to be recognized as a partner and would want to be recognized as "thinking outside the box" when they can. At this time, Mr. Gore stated that the Department's current financial assessment, is equitable, fair, and justified per the 2007 Cost of Service study. In fact, MWSD is currently undercharging what the study shows as justifiable. If fees were rolled back, according to the 2006 surrounding communities table, MWSD would be just above Metro Nashville and Lebanon in rates. MWSD would rank third out of ten in the water and sewer development charges. MWSD is currently ranked in the middle as fourth and fifth in water and sewer connection fee charges, respectively. Rolling back to 2006 connection fees does not move Murfreesboro up the ranks significantly as compared to our neighboring communities.

Developers Denny Hastings and John Floyd were in agreement with Roger Haley that the connection fees should be rolled back in order to stimulate the economy. Board members questioned if there is a way, if the Board moves forward with this, to make its participation contingent upon other utilities participating, as well. Roger Haley said CUD is probably waiting on MWSD to make the first

move and then they can follow. John Floyd stated that Nashville raised connection fees several times during the last few years and eventually rolled theirs back due to the economy. Mr. Floyd's comment was that Murfreesboro would not be the first utility to roll back their fees.

Sandra Trail made a motion to deny the request. Dr. Carter seconded. Clay Beach, Toby Gilley, Blake Smith, Kathy Nobles and John Sant Amour voted no. Sandra Trail and Dr. Carter voted yes. The no vote carried and the motion to deny failed.

After additional discussion by the Board, Toby Gilley made a motion to approve the request for rolling back sanitary sewer and water connection fees to FY2006-2007 rates, subject to time certain criteria and distinguishing between commercial, industrial and residential customer classes. Kathy Nobles seconded the motion. Clay Beach, Toby Gilley, Blake Smith, Kathy Nobles and John Sant Amour voted yes. Sandra Trail and Dr. Carter voted no. The motion carried.

The Board then considered a request for SEC, Inc. to provide professional engineering services for the design of sewer for NHK Seating of America.

At the November 18, 2010 City Council meeting Mr. Rob Lyons presented a resolution, for Council approval, for the City to apply for grant monies through the Tennessee Department of Economic & Community Development to help build the sanitary sewer infrastructure for NHK Seating of America. This industry will be located along Joe B. Jackson Parkway at I-24. They will be making automobile seating and are projected to have 224 employees. The City will receive the funding from the grant and be responsible for the bidding and construction of said sewer mains. The City is currently receiving engineering services from SEC, Inc. to prepare the engineering reports for the FIDP application and it will also be necessary to enter into a contract with SEC, Inc. to design and bid this project. Staff will bring a proposal before the Board for these services at a later date, but requested approval for SEC, Inc. to move forward with the design of the sewer. Staff requested this approval because they have determined it is crucial to proceed in order to receive approval from ECD, advertise, bid and construct the project to meet the scheduled opening for NHK. Other than staff's time to administer the grant, there are no direct City expenditures for the grant. There are, however costs associated with the extra depth and larger size of the sewer extension that staff has determined is necessary to serve a larger area south of the proposed development. Staff will present the participation cost to the Board for approval at a later date.

Sandra Trail made a motion to approve. Clay Beach seconded. The motion was unanimously carried.

The Board reviewed an application for stormwater general permit coverage for the City of Murfreesboro and MTSU.

For the past seven years, the city has been covered under an NPDES general permit for municipal separate storm sewer systems (MS4s). The Tennessee Department of Environment and Conservation has

issued a new permit August 31, 2010. In order to be covered under the new permit, the city will submit an application/Notice of Intent (NOI), due by December 31st.

The draft MS4 NOI has been prepared for both the City of Murfreesboro and MTSU as co-permittees. *Co-permittee* is a term defined in the federal regulations and the permit includes a process for applicants to apply as co-permittees. TDEC has generally encouraged cities to apply as co-permittee with local, publicly-owned universities, which are defined as a regulated MS4 if the school houses a significant population on campus. Three or four key staff at the university have been involved in preparing this NOI.

Both the City and the University will implement the same BMPs that are listed in this NOI. There are exceptions; for example, the City, rather than the University, will implement the construction site runoff program on the campus. These exceptions are noted in the administrative section of each minimum measure.

The table below shows where the proposed BMPs add to, or differ most from, the city's present program and operations. Some of these changes are mandated by the State's new permit. Some are a result of the co-permittee arrangement, and some are proposals in order to improve an administrative or technical aspect of the program.

BMP #	Description	Change	Rationale
1A	WaterWorks	MTSU WaterWorks will have a significant role in local education and participation efforts	Expertise; contract services
1G	PIE*	More specific goals for public education and participation	Requirement of new permit
1H	Fee credit policy changes	To add credits for pollution prevention at commercial properties; and for green infrastructure	To reward pollution prevention; to encourage green controls
3B, 4A	Revisions to ordinances/city code	Permanent runoff control (on-site management); WQPA changes; update construction site runoff requirements	Requirement of new permit
2B, 3C, 4E	Enforcement Response Protocols (ERP)	Written enforcement procedures for regulatory aspects of program (construction, post-construction, illicit discharges)	Requirement of new permit
3A,3B, 3C,4A, 4D,5A, 5C	SWMP	A written stormwater management plan, including policy and procedures	Requirement of new permit

* Acronym for Public Information and Education plan.

This NOI will be considered among staff of several departments and may undergo minor changes before being presented to the city manager and mayor for signature.

No action from the Board was taken.

Staff presented an updated summary from Hazen and Sawyer on wastewater treatment capacity and effluent disposal study.

On November 8, 2010, Staff and the “Study” team met with Hazen and Sawyer. This was a meeting to discuss the final “Population and Wastewater Flow Projections” which comprises Technical Memorandum No.1 and discussed the topics of the Study which are listed below as Technical Memorandums (TM) Nos. 2-7.

TM No. 2 - Regulatory Analysis

TM No. 3 - Centralized and Decentralized Treatment Alternatives

TM No. 4 - Evaluation of Treatment Technologies

TM No. 5 - Repurification System Evaluation

TM No. 6 - Collection System Evaluation

TM No. 7 - Capital Improvement Recommendations

Scott Alpert and Scott Woodard of Hazen and Sawyer were present at the meeting to give a brief update of TM No. 1 & No. 2 and summarized what is remaining to be accomplished to complete the study. As the Technical Memorandums are completed, staff will be sure to make this information available.

There being no further business, the meeting was adjourned.

John Sant Amour, Chairman